

Briefing Note: Overview & Scrutiny Committee

19 January 2023

Budget 2023/24 and Capital Programme 2023 to 2018

Summary of Significant Budget Changes Since the November 2022 Budget Report

1. Service Budgets

- 1.1 No additional budget savings, income or growth proposals identified since November

2. Central Budgets

- 2.1 Treasury Management budget forecasts have been reviewed:

- Reduced compared to the November forecast – (£139k)

- 2.2 Budgets for Housing Benefit payments/subsidy and the grant to Banstead Commons Conservators are now reported as Central budgets (previously within Service Budgets)

- The £564k pressure for reduced benefit subsidy is therefore reported as a Central budget risk
- Additional growth of £25k to support Banstead Commons Conservators in 2023/24 (one year only)

- 2.3 Budget growth for the employer's secondary pension fund contribution following the 2022 Pension Fund revaluation - £1.890m. The equivalent sum had been pre-paid for 2020/21 to 2022/23.

3. Council Tax & Business Rates (NNDR)

- 3.1 2.99% increase (+£7.25 per annum for a Band D property) in line with the Government's referendum limit.

- 3.2 Updated Council Tax forecast to reflect the annual increase, growth in the taxbase, updated recovery forecasts and this Council's share of the Collection Fund surplus – (£703k)

- 3.3 Updated NNDR forecast to reflect the Provisional Settlement, updated recovery forecasts and this Council's share of the Collection Fund surplus – (£1.694m)

4. Call on Reserves & Grants

- 4.1 There is no call on the General Fund Reserve to support the budget in 2023/24

- 4.2 Final Budget proposals - calls on Earmarked Reserves:
- £484k from the Government Funding Risks Reserve – to address forecast Housing Benefit subsidy reduction.
 - £493k for IT Strategy implementation
- 4.3 No longer any requirement to call on other Reserves to fund risks and issues relating to property voids and energy costs and other potential financial pressures; they can now be funded within available resources.
- Commercial Risks Reserve – call was potentially up to £1.350m in the draft budget proposals
 - Pensions Reserve – was £350k in November (the Pension increase can be funded within available resources)
 - COVID Risks Reserve – was £100k in November (service income budgets have now recovered or been re-baselined following the pandemic)
- 4.4 New Earmarked Reserve established - Economic Pressures Reserve - £150k
- In acknowledgement that the additional income from a 1% increase was not anticipated when the November report was drafted and, recognising that there are likely to be increasing pressures on local residents
 - Based on the equivalent of a 1% council tax increase - £0.150 million. The funds will be available to provide additional discretionary support.
 - To be funded from the additional funds in Reserves at 1 April 2023 as a consequence of the forecast outturn (underspend) for 2022/23.
- 4.5 Provisional Settlement - Grants
- Additional New Homes Bonus grant - **(£634k)**
 - Reduced Lower Tier Services Grant and Services Grant – **£178k**
 - New grant: Minimum Funding Guarantee Grant – **(£803k)**
- 4.6 Additional details are set out at Annex 1 below.

Comparison of 2023/24 to 2022/23

5. Final Revenue Budget Summary

Table 1	Approved Budget 2022/23 £m	Proposed Budget 2023/24 £m	Budget Movement
Service Budgets	17.544	17.814	0.271
Central Budgets	2.437	5.380	2.943
Net Budget Requirement	19.980	23.194	3.214
Council Tax	15.222	16.293	1.071
NNDR	1.710	3.994	2.284
Grants	1.271	1.930	0.659
Earmarked Reserves	1.565	0.977	(0.588)
General Fund Contribution	0.212	-	(0.212)
Net Funding	19.980	23.194	3.214

6. Service & Central Budget Growth 2022/23 to 2023/24 – Summary

Table 2	Proposed Budget 2023/24 £m	New / (Deleted) Posts FTE
Net Reduction in Staff Costs	(0.296)	(3.6)
Net Reduction in Other Operating Costs – savings and additional income	(1.276)	
Budget risks and issues – Property voids and energy costs	1.350	
Budget Opportunities – IT Strategy Implementation	0.493	
Net Service Budget Growth	0.271	(3.6)
Central Budget Growth / (Savings) <ul style="list-style-type: none"> Treasury Management – (£900k) Employer Pension Contributions - £1.890m Staff Salary Increases – £1.500m Central Vacancy Provision – (£150k) Budget risks – Housing Benefit subsidy cuts - £564k Other net budget changes - £39k 	2.943	-
Total Budget Growth	3.214	(3.6)

7. Funding Changes 2022/23 to 2023/24 – Summary

Table 3	Proposed Budget 2023/24 £m
Council Tax – net income increase	1.071
Business Rates & Government Grants – net income increase	2.284
Increase in Grants <ul style="list-style-type: none"> • Lower Tier Services Grant • Services Grant (new) • New Homes Bonus • Minimum Funding Guarantee 	0.659
Reduced call on Earmarked Reserves compared to 2022/23	(0.588)
Cease General Fund Contribution	(0.212)
Net Funding Increase	3.214

8. Forecast Reserves Balances at 1 April 2023

Table 4	Forecast Balance ¹ at 31 March 2023 £m
General Fund Balance	3.500 ²
Other Earmarked Reserves	33.706 ³
TOTAL	37.206

NOTE

1. Final balance depends on draw down of funds from Earmarked Reserves during the remainder of 2022/23
2. Increased from £3.000m in line with the increase in the Net Revenue Budget
3. Includes a new Economic Pressures Reserve - £150k (equivalent to the income from a 1% council tax increase) – to provide additional discretionary relief.

9. Capital Programme – Growth Proposals

- 9.1 As reported in November - £7.672m net growth over the five years from 2023 to 2028; primarily continuation of existing ‘rolling’ programmes for asset maintenance and management and reprofiling/reduction of previously-approved allocations.

Table 5: TOTAL CAPITAL PROGRAMME GROWTH 2023/24 to 2027/28	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	2026/27 Projected £M	2027/28 Projected £M	TOTAL £M
Organisation	0.046	0.040	0.860	0.003	0.589	1.538
People	0.108	0.115	0.115	0.115	1.519	1.972
Place	0.034	0.016	0.259	-	3.653	4.162

TOTAL	0.188	0.171	1.234	0.118	5.961	7.672
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10. 2023/24 Budget Consultation and Assessment of Equality Implications

10.1 Consultation – details at Annex 5

- 8 weeks consultation on budget proposals
- 198 responses received and a variety of views expressed, as would be expected. Headlines include:
 - The proposal to increase Council Tax by the referendum limit was supported by a majority of respondents, 59% of responses in agreement
 - The majority of proposals for changes to fees and charges were supported, however only 36% of respondents supported proposed increases to waste & recycling fees (that is, the increase in garden waste fees, bulky waste fees, trade waste fees and container and sack prices). Views were mixed on changes to greenspaces and community centre fees, with opposition primarily related to allotments, community centres and outdoor spaces. (Note that some licensing charges and car park charges are subject to separate statutory consultation)
 - The proposed reduction in grant funding for some voluntary sector partners was opposed by 69% of respondents, with concerns particularly about the impact on residents who are supported by the organisations in question.

10.2 Assessment of Equality Implications - Details at Annex 6

End.

Budget Movements - November Draft Budget report to January Final Budget Report

Movements that are beneficial – as they reduce costs or increase resources

Adverse movements that increase costs or reduce resources

Table 6 Summary of Budget Movements	Draft Budget November 2022 £m	Movement Increase / (Decrease) £m	Final Budget January 2023 £m
1. Net Cost of Services	16.326	0	16.326
2. Central Budgets	2.685		4.461
• Treasury Management		(0.139)	
• Employer Pension Costs		1.890	
• Banstead Commons Conservators		0.025	
3. Risks & Opportunities			
• Housing Benefit Subsidy Cuts • Property Voids & Energy Costs • IT Strategy Investment	2.407	0	2.407
NET EXPENDITURE 2023/24	21.418	1.776	23.194
4. Council Tax	15.590	0.703	16.293
5. National Non-Domestic Rates	2.300	1.694	3.994
6. Un-ringfenced Grants			
• NHB	0.400	0.634	1.034
• Lower Tier Services Grant	0.107	(0.107)	0
• Services Grant	0.163	(0.071)	0.091
• Minimum Funding Guarantee Grant	0	0.803	0.803
7. Call on Earmarked Reserves:			
• Government Funding Risks Reserve	0.564	(0.080)	0.484
• Commercial Risks Reserve	1.350	(1.350)	0
• Pension Reserve	0.350	(0.350)	0

Table 6 Summary of Budget Movements	Draft Budget November 2022 £m	Movement Increase / (Decrease) £m	Final Budget January 2023 £m
• COVID-19 Risks Reserve	0.100	(0.100)	0
• IT Strategy Reserve	0.493	0	0.493
Use of funds from the General Fund Balance to support the 2023/24 Revenue Budget	0	0	0
NET SOURCES OF INCOME	21.418	1.776	23.194